Tax incentives as means for the attraction of FDIs and the case of Greece.

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Abstract

This dissertation was written as part of the LL.M. in Transnational and European Commercial Law, Banking Law, Arbitration/Mediation at the International Hellenic University.

In today's global financial reality, countries try to attract foreign direct investment (FDI) in order to achieve economic development and growth. This dissertation examines the special category of tax incentives as means for the attraction of FDI as one of the most popular incentives at international level. Then, it makes a brief analysis regarding strategic investments in Greece and its general investment climate and legal framework. Tax incentives concerning FDI create measurable risks and have been proved in many cases improper and dangerous .This is why, the paper concludes in the thesis that countries should avoid the enforcement of special tax incentives for the attraction of FDI and focus on policies and actions aiming at the improvement of the general financial and investment climate that characterizes it.

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Keywords: FDI, tax incentives, economy, Greece, investment

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Table of Contents

Abstract 3

Introduction 5

FDI and Incentives 9

Tax incentives 13

The case of Greece 22

  The strategic investments incentives regime in Greece: 24

  Criticism on the effectiveness of the old regime 27

Discussion and Conclusion 30

References 35

Introduction

Today’s global financial reality is completely different than the one years ago. Countries, individual investors and legal entities must confront a new, constantly evolving and more challenging economic era. This era defined by the new commercial reality, consists of the emerge of global markets, transnational trade and free flow of capital, goods, services and workforce (Hanson, 2001). Whoever cannot keep up with the evolution and change of international economy cannot survive. Old-fashion assumptions about how the world works will lead with certainty to failure (Gergely, 2003). World has passed the period when markets and general economy were strictly closed and controlled by the governments. In our days, international financial institutions like the Organization for Economic Co-Operation and Development (OECD), shape policies and promote global principles, ethics and solutions for open international markets and global business fields (OECD Official Website, 2020). While some years ago it was countries and their policymakers who decided and formed the financial climate, now it is the financial sector itself who leads the road, evolves and controls as wells as determines the limits of politics (Bjorvatn and Eckel, 2006).

The current state of the global economy seems ideal for multinational enterprises (MNEs) that have the resources to diversify their countries of operations and expand their target markets (Blonigen, 2005; Levitt, 1993). These multinational companies seek for new capital opportunities across the world which will empower their global competitive status (Gergely, 2003). What each enterprise looks for in a country is different and it depends on its goals, business operations and strategic plan. What is more, the desirable advantages appear to differentiate based on the era (Gergely, 2003). For example, a multinational company operating in the field of agriculture 50 years ago would primarily seek for available and fertile foreign land (Lent, 1967). On the other hand, a MNE in the banking sector today would probably examine the available opportunities in a country with economic growth, sufficient liquidity, etc. However, according to empirical studies, there are two common determinants that affect FDI inflows in a country (Blonigen, 2005). These are the market size of the host country and its infrastructure (Blonigen, 2005). Generally, many theories about the basic determinants enterprises examine in order to invest abroad have been developed (Blonigen, 2005). One of the most well-known is the eclectic approach, developed by John Dunning (1977, 1988). According to Dunning (1997, 1988), ownership, location and internalization are the three factors that an enterprise may take under consideration in order to examine whether a foreign investment is beneficial or not (the OLI paradigm). He also categorized FDI depending on the motives into market-seeking, resource-seeking and efficiency seeking FDI (Dunning, 1993). On the other hand, the World Investment Report of 1998, UNCTAD (1998) categorized FDI determinants in politic factors, business facilitation and economic factors.

As Agiomirgianakis et al. (2003) noted, FDI can be defined as the financial outcome (cash inflows) from a foreign company's (usually a multinational company) operations in the host country. Thus, the factors that affect the behavior of MNCs may also affect the magnitude and the direction of FDI. Countries, on their side, try to pull MNEs into their territory to take advantage of the capital inflows, new job opportunities and several other benefits these new established investments can bring (Zee et al., 2002). Thus, the term policy competition which refers to the most efficient and effective attraction of FDI is more topical than ever. This approach has influenced modern governments and formed new trends and policies according to foreign investment and the treatment they should have by the host state (Hanson, 2001). According to the G-24 discussion paper series 2001, developing countries, during the last twenty years, have become drastically more open and friendly to foreign investment by improving the investment and financial climate into their territory and by creating motives and opportunities of all kinds for foreign investors (Hanson, 2001). Tax breaks, governmental subsidies, exceptions from import duties, international agreements etc. focus on boosting international competition and attract foreign capital (Klemm, 2010). Among all the types of incentives, tax ones seem to have gain the most attention both by policymakers and literature. Today, some of the countries with the most attractive FDI tax frameworks are China, Maldives and Malta (tax heaven) (Davies, 2012; Zebregs and Tseng, 2002). In fact, according to the World Investment report (2018), in 2017 China remained the 2nd largest FDI recipient globally, right after USA (Davies, 2012). As the tax regime of a country plays significant role for its financial stage, the adoption of a special, most favorable tax treatment for foreign investments and its effects is a burning issue that remains unsolved (Klemm, 2010; Davies, 2012).

When we refer to the foreign direct investment sector, Greece has been one of the weakest EU countries (Paneta, 2019). Constantly changing legal regimes, high corporate taxes and intense control and regulation of the labor and product markets are factors that have negatively affected FDI and general investment (Barkas and Pisu, 2018). As it was expected, after the burst of the Global Economic Crisis Greece's investment climate considerably declined (Lenakou, 2014). It was the period when the country implemented the "Memoranda", trying to survive and restructure its economy in a more neoliberal way (Gardiakou, 2018). In 2010, the government committed for the adoption of a more favorable framework concerning FDI and investment in strategic sectors and implemented the Law 3894/2010 "Acceleration and Transparency regarding the Realization of Strategic Investments" (Gemenetzi et al., 2018). It was the first time the term strategic investment was introduced in the Greek Law characterizing investments of keen importance for financial development and gave several considerable incentives (Gemenetzi et al., 2018; Konstantinidis and Vlachou, 2018). What is more, the above Law also resulted in the establishment of the institution "Invest In Greece S.A.", now renamed to "Enterprise Greece", for the promotion and attraction of strategic foreign and domestic investment. Today, post-crisis Greece, following the international "trend" is constantly trying through legislation and other methods to attract foreign capital and investment in its territory giving extra focus to strategic investment (Gemenetzi et al., 2018). The most recent published law is the Law 4608/2019 for the attraction of strategic investment (Nomos Official Website, 2020). According to the website of Enterprise Greece that operates as an official agency of Greek State and the data from the Bank of Greece, 2018 inflows of FDI are increased compared to 2017 (a 9,0% raise) reaching the highest level of the last decade (Paneta, 2019). However, the numbers are still low and the discussion about the effectiveness of the legal framework and its provided incentives is controversial.

As mentioned above, the reality is that countries, developed and developing, are competing in the international field in order to gain the most foreign investment and capital they can. However, their positive externalities are questionable as most empirical studies can only indicate whether there is a positive correlation between them and FDI (Blonigen, 2005). For example, while the study findings indicate a positive correlation between FDI and national welfare, this can be interpreted in two conflicting ways (Blonigen, 2005). It ether means that increased FDI in the country is responsible for the raise of national welfare or that the high level of FDI in this particular country is subsequent to its notable national welfare (Blonigen, 2005).

The most recent studies present mixed results regarding the connection between FDI and positive spillovers for the host country (Hanson, 2001; Simelyte, 2013). This controversy has turned literature's interest to a very ambiguous but also triggering question (Hanson, 2001; Simelyte, 2013). Since FDI is not always a determinant factor for and host country's financial and general growth, what about the special policies and incentives countries have adopted? The questions that come subsequently are the below:

1. Can we take as granted that foreign Direct Investment is beneficial for the host country's economy and general growth?

2. Are special FDI incentives and more specifically tax incentives the appropriate means for the attraction of foreign direct investment, and even if the answer is yes,

3. Are they capable of interfering in the country's economic stability?

In this study, we are going to examine tax incentives as means for the attraction of FDI and make an effort to answer the questions above. To continue with, we are going to make a general reference to the Greek legal framework concerning the attraction and increase of both FDI and domestic investment, as long as they have been characterized as strategic. Questions about their adequacy and efficiency are going to be discussed always in relation to their influence in the country's financial development and investment climate.

FDI and Incentives

Foreign direct investment (FDI) is a form of investment where an investor (firm or individual) invests capital in a foreign country (Jirasavetakul and Rahman, 2018). In other words, foreign direct investment consists of an investment party that decides to expand its or set up a new form of business in a foreign country. This can generally be done by acquisitions, joint ventures in the host country and/or the establishment of a wholly owned subsidiary and/or affiliate (Bjorvatn and Eckel, 2006; Simelyte, 2013). The main characteristics of an FDI are the duration of the investment (it should be long term), the level of control the investor has and, last but not least, the profitability (Bjorvatn and Eckel, 2006; Simelyte, 2013). In the era of globalization and liberalization of the market there is a new reality where multinational businesses try to thrive and grow (Levitt, 1993). FDI, thus, has a keen importance as it allows businesses/investors to operate in an international environment, have access to multiple and more diverse resources and, therefore, increase their competitiveness in the global market (Jirasavetakul and Rahman, 2018; Jensen and Malesky, 2010). Moreover, FDI is considered of keen importance for the countries (both home and host) as it stimulates financial, social, technological and general development (Hanson, 2001). The capital inflows, the adoption and development of new technologies and know-hows along with the increased job opportunities are some of the advantages that FDI can bring to the host county (Hanson, 2001). Regarding the home country FDI can be proved beneficial in financial (repatriation) and diplomatic ways (Kolotouras, 2014; Hanson, 2001).

Despite its positive aspect, FDI is considered a relatively ambiguous subject that has drawn the attention of scholars as well as politicians (Ginevicius and Simelyte, 2011). Do the local businesses have access to the same incentives as the foreign investors? Is the competition fair? Furthermore, sometimes governments are willing to sacrifice fundamental labour and environmental rights to benefit from a strategic FDI project. An extreme example is the “creation” of sweatshops which although beneficial for finance metrics, they are both unethical and usually dangerous for the employees (Klemm, 2010). It has been observed that, while in the beginning of FDI development most opinions and researches were focused only to the advantages and positive outcomes that FDI can result to, contemporary literature focuses on the opposite point of view and, in many cases, emphasizes the possible risks and negative effects (Lim, 1983). One of the major arguments has to do with the degree of competitiveness local investors can demonstrate (Ginevicius and Simelyte, 2011); can the local investors compete with the multinational firms? What does the establishment of a big multinational company mean for the local small and medium enterprises (SMEs)? Do domestic SMEs have enough resources? Many times, host countries tend to ignore and wrongly evaluate the financial situation as well as the country's needs for FDI (Klemm, 2010). In this stage, it is important to note that except for the prevailing view that more FDI implies better economy, very often politicians' decisions to boost FDI result from personal ambitions and potential personal benefits (Klemm, 2010). For example, the cooperation between a multibillion MNC and a politician for its establishment and special treatment in the host country may have as main purpose the future support of the politician in its carrier or even financial reward (Cleeve, 2008; Klemm, 2010).

According to the World Investment Report 2019 by UNCTAD, 2018 was the third year in the row we observed international foreign direct investment flows decline by 13% to $1.3 trillion (Zones, 2019). On the other hand, from the Countries' side, it is observed a constant effort to attract foreign investment by adopting new policies and changing their regulatory framework with more FDI directed regimes (Ginevicius and Simelyte, 2011). The World Investment Report (2017) noted that in 2018, approximately 55 countries and economies implemented at least 112 policy measures to attract foreign investment. Liberalization measures are very popular among countries as are privatizations and amendments to some administrative procedures (Demirhan and Masca, 2008). When we refer to the term incentives, we consider every means that deviates from general legal and regulatory framework and gives measurable advantages to enterprises and encourages them to act in a certain way (Rolfe et al., 1993). FDI incentives can be distinguished in the following forms.

- Fiscal incentives: They constitute aspects of the fiscal policy of a country. They mainly target to the reduction of tax burden on the taxpayer enterprise in multiple ways (Cleeve, 2008). Fiscal incentives are usually offered in the form of tax reliefs and can be categorized in discriminatory and non-discriminatory

(Klemm and Van Parys, 2012; Klemm, 2010). The term discriminatory refers to foreign investors being the only beneficiaries while non- discriminatory incentives address to all investors (Klemm and Van Parys, 2012; Klemm 2010).

- Financial incentives: They consist of direct economic benefits provided by the governments. They have the form of funds for new investments or relief of capital and/or operation expenditures (Clark, 2000). To be more specific governments provide preferential rates (insurance and loans) direct grants and subsidized credit. A country that has given considerable governmental subsidies is Brazil (Hanson, 2001). For instance, Brazil offered to Honda generous subsidies that appeared to be the basic determinant for Honda's decision to establish a motorcycle plant in the Amazon area (Hanson, 2001).

- Regulatory incentives: They usually have the form of special legal regimes which provide for more simple and immediate admission and establishment procedures (Clark, 2000).

- Other forms of investment incentives constitute the Investment Promotion Agencies, (IPAs) preferential treatment over local enterprises and certain subsidized services (Clark, 2000).

Countries in their effort to attract FDI use incentives of all the above categories. However, the choice of each incentive depends on the different stages in their social and economic evolution and gives priority to different measures and policies that fit better in their realities (Demirhan and Masca, 2008). For example, developed countries with stable economies and healthy market competition behaviors, which have already managed to attract FDI in their territory, choose to make more use of financial and promotional measures and guarantee for liberalized conditions for admission, establishment and security standards, rather than implementing special discriminatory FDI incentives, either fiscal or other (Klemm, 2010) . On the other hand, developing countries in order to balance out economic instability and reduced growth, aim to show to potential investors that they are willing to offer exclusive advantages that they will not be able to find anywhere else (Zee et al., 2002). Special tax treatment of dividends and incentives for reinvested earnings are only a few of this kind of "offers" developing countries provide (Zee et al., 2002). Measures like the above may also be seen as a statement of commitment on behalf of the country for its upcoming evolution and prosperity. Moreover, States choose to sign international investment treaties to avoid impediments like double taxation and enterprise agreements which require the adoption of a law, stating the state' s and investors' rights and obligations (Zones, 2019). In 2018 it is reported that 40 new International Investment Agreements (IIAs) were signed (Zones, 2019).

Tax incentives

Among fiscal, financial and other types of incentives, it appears that the first ones are mostly preferred by countries as means to attract foreign direct investment (Klemm and Van Parys, 2012). More specifically, for the period after 2001, about 95% of the measures developed countries have used for FDI had mostly tax character (for example Belgium and Canada) as, according to James (2009), an 1% in the tax rate can decrease Foreign Direct Investment about 3,3%. James (2009) defined these incentives as interventions to the taxation of the capitals and/or the taxation of the income from FDI projects. Moreover, tax incentives have become a "trend" in developing and in transition countries especially after the example of China, as the scarcity of capital leads to the research for external resources (Klemm, 2010; Zebregs and Tseng, 2002; Davies, 2012). The implementation of tax incentives can be justified by many theoretical factors. One of them is tax competition among countries. According to this school of thought, countries, in order to preserve and boost their competitive status in the modern globalized economy, shape their tax policy in an appropriate way to attract capital and taxable profits (Zee et al., 2002). Therefore, tax incentives are usually considered as a tool of tax competition (Morisset and Pirnia, 1999). A different factor may be that enacting tax incentives is usually easier and quicker for governments than the research and the subsequent process of resolving a country's fundamental problems that discourage FDI (Klemm and Van Parys, 2012). What is more, the alternative of implementing governmental funds and subsidies is usually judged and scrutinized stricter than the adoption of a tax incentive. Fiscal (tax) incentives adopted by governments serve specific and very distinct purposes (Klemm, 2010). In many cases they are implemented in order to boost development in certain regions or to promote and strengthen weak business sectors or even to maintain the established FDI in the territory. What is more, countries, like China and Ireland, have adopted special tax incentives in order to attract R&D companies or operation because they are considered very promising and beneficial in many fields (Tan, 2002; Davies, 2012). However, until today, it is observed a strong skepticism by economists about the use of such incentives even though they constitute popular means among policy makers. What is more, especially for developing and in transition countries, there is not any sufficient evidence nor empirical studies proving the pivotal importance of tax incentives as means for the attraction of FDI (Holland and Vann, 1998).

Tax incentives, as part of the fiscal policy of a country, are subject to the country's sovereignty which can also implement whatever measure considers appropriate, without external interventions, globalization, open borders and empirical experience (Klemm and Van Parys, 2012; Holland and Vann, 1998; Levitt, 1993). Thus, they have led to common practices and policies among states, and to the formation of some "typical categories "of tax incentives that countries use to attract foreign investment. As logical as it is, although these categories and each incentive may be modified depending on the legal order it is implemented into, and the general legal principles followed by the state, their core characteristics are the same. Thus, we can categorize typical tax incentives that states use in the following categories:

> Tax Holidays: This incentive introduces specific tax free periods. Usually they exempt new foreign investments from corporate income tax for a certain period of time and by doing so they increase an investor's profit margin (De Mooij and Ederveen, 2003). Tax holidays aim to lighten some burden from new business enterprises that face high costs due to the foundation of the business itself. By definition, this measure is more attractive to businesses that expect to make early profits as they will be more benefited by the tax exemption than enterprises expected to gain profit in the long term as the tax exemption may have passed. On the other hand, tax holidays could be abusively used by these early-earn profit enterprises which may get benefited by the incentive and then stop operating after the incentive expires (Morisset and Pirnia, 1999). What is more, the exemption of income tax can lead to a less strict control of the business' income/expenses and there are cases where investors try to manipulate tax holidays system and extend its duration by following practices like rent seeking (Tollison, 2004). With the term rent seeking we mean a business' effort to increase gains and income from government policies manipulation, instead of creating wealth (Tollison, 2004). Another abusive practice of tax holidays is when not qualified tax enterprises come into deals

with enterprises that enjoy tax exemption to shift their profits through transfer pricing (Zee et al., 2002). These dangers in combination with real life experience have been criticized intensively by literature which discourages countries from the adoption of tax holidays, especially when there are high levels of corruption in the host country (Reiter and Steemsma, 2010). However, they still constitute a very popular incentive especially among developing countries and countries in transition (Beyer, 2002). According to the World Investment Competitiveness Report 2017/2018 by World Bank Organization and a database that was created for the purposes of that report, providing information on 107 countries for the period 2019-2015, in more than 50% of the developing countries, tax holidays have been offered as FDI incentive in at least one economic sector (Schwab, 2018).

Special Zones: In its most simple form, this measure concerns geographically limited areas where states provide fiscal incentives (tax exemptions or/and reductions) to investments established therein (De Mooij and Ederveen, 2003). Special economic zones may provide for more than tax incentives as for example exemptions from import or export duties, administration facilities and employees training programs. They constitute an effective tool for the economic and technological boost that some regions could not achieve otherwise. A particular case that raises concern is when the special zones for international trading companies, provide exceptions from direct and/or indirect taxes even if the company sells part of its output nationally (Easson, 2004). In many cases, this policy can lead to significant revenue costs. However, just like tax holidays, special economic zones (SEZs) are a widely used incentive. Today, more than 140 economies worldwide use SEZs both developed and developing (UNCTAD, 2019). However, it is observed that while in developed economies, special zones are mostly implemented as customs-free zones in order to provide tariff reliefs, in developing countries, they are usually used as means more the attraction of FDI and economic development (IMF, 2018). US, India and the Philippines are the countries with the highest use of SEZs (IMF, 2018). Nowadays, many “types” of special economic zones (SEZs) have emerged because as we mentioned above, it is a widely implemented measure by both developed and developing economies.

Investment Allowance: It is a measure directed to tax free recovery from investment costs as it reduces income tax liabilities. Like investment tax credits (see below), it allows the deduction of a fixed percentage of an investment at the time an asset is purchased. This deduction concerns only the investment's taxable profit (Easson, 2004). There is a strong opinion in literature that investment allowances can better serve their purpose than tax holidays as they are more effective in promoting the investments wanted, and their revenue costs for the economy are easier to predict and measure (Porcano and Price, 1996). On the other hand, the specific incentive has been perceived as a cause for the distortion of the choice of capital, as new investors in order to benefit from multiple allowances may turn towards fast-replaced goods.

Investment Tax Credits: It is a tax measure that allows investments to deduct a certain percentage of investment related costs from their tax liability (De Mooij and Ederveen, 2003). The deduction is provided at the time of the purchase of the asset and it does not affect any depreciation allowances (Porcano and Price, 1996). Tax credits, similarly to investment allowances and accelerate depreciation, as incentives that target at capital investments can cause revenue costs which depend on the amount of capital the business decides to invest.

Accelerated Depreciation: It is an additional depreciation deduction at a faster schedule than the general rule indicates for the taxpayers. Accelerated depreciation can take many forms. It may be provided as an increased depreciation rate or investments may have higher depreciation standards for the first years of their operation (initial depreciation) (Klemm, 2010). In comparison with the other forms of incentives, it is meritorious that by only offering a faster depreciation without increasing the total allowable nominal depreciation of the asset, this incentive neither distort the regular tax allocation nor causes big distortions when compared to other incentives

(Holland, D., & Vann, R. J., 1998). Therefore, this incentive seems idea for investments that heavily rely on initial costs that can be depreciated (i.e. vehicles, machinery etc.).

Reduced Tax Rates: The reduction usually concerns the corporate income tax rate and it may be temporary or permanent (James, S., 2009). It may also concern only income earned from specific kinds of activities or non-resident investors' income (James, S., 2009). When reduced tax rates apply, it is of great importance the existence of specific criteria that make the identification of the benefited sectors easy and objective. In this way, transparency prevails and incidents like discretion on behalf of the authorities can be avoided. This measure targets at promoting FDI, and also at eliminating repatriation strategies and strengthening host country's tax revenue base. Again this is a measure that may cause uneven competition with the local investors who, by definition, will face higher costs.

Exemptions From Various Taxes. States desire to create all the positive preconditions for a new foreign investment and financially facilitate it by exempt it from taxes like tariffs (Klemm, 2010). However, the discriminatory exemption can lead to misallocation of capital and favor qualified enterprises that may be proved unsustainable and not beneficial in the long run.

Financing Tax Incentives: They aim at reducing the cost of raising investment funds so, most of the times they apply to shareholders (Clark, 2000).

Tax Stabilization: It is a measure that actually freezes the tax regime as it is at the time of the approval and/or establishment of a new business for a long period of time (Lent, 1967). Tax stabilization for a foreign investment means that it is not affected by any modification tax law is going to be subjected in the future including adjustments in tax assessment and collection as well as modification of tax rates and new taxes enforcement (Lent, 1967).

Tax Sparing: In the OECD report, Tax Sparing: A reconsideration, of 1998, the following general characteristic is used on page 11: *"In the case of a credit country, tax sparing provisions basically enable the investor to obtain a foreign tax credit for the taxes that have been "spared" (i.e. not actually paid) under the incentive regime of the source country."* (OECD Committee on Fiscal Affairs, 1998). Tax sparing is a common tax treaty provision between developed and developing countries which enables foreign investors otherwise subject to double taxation, to benefit from tax incentives host country provides and at the same time be exempted from residence taxation as if they did not benefit from the incentives (Nilsen, 2013).

The implementation of any form of tax incentives to the general tax regime creates extra responsibilities to tax administrators who must ensure among other things that the incentive is applied according to the Law and that the beneficiary investment is appropriately qualified. The right fulfillment of these tasks in combination with factors such as the following policies of a country and the specific effects and adequacy of the incentive are measurable factors that are taken under consideration when we examine the effectiveness of tax incentives. How effective FDI tax incentives are?

Before answering this question, it is important to determine the term effectiveness for the purposes of our analysis. To begin, we are going to examine effectiveness from several points of view. First, we will examine effectiveness on the scope of the impact of FDI tax incentives regarding to the inflows of foreign investments referring to some indicative researches and empirical studies. Next, we will attempt to examine effectiveness of tax incentives through determinants like legal certainty, transparency, cost-effectiveness etc. (Blonigen, 2005).

1. According to Klemm and Van Parys (2009), who used data on tax incentives and macroeconomic data from 40 Latin American, Caribbean and African countries, corporate tax rates and tax incentives, particularly tax holidays, positively affect the inflows of FDI in developing countries. However, research cannot suggest strong interrelation between tax incentives and economic growth.

2. Another study by Emmanuel Cleeve (2008) who examined the effectiveness of fiscal incentives in 16 Sub-Saharan African countries during the period 1990 to 2000 comes to the conclusion that despite the efforts of these countries to attract FDI through the implementation of tax incentives regimes, there has been noticed little success in relation to the "expected results" and high costs from the lost revenues. The study suggests that factors as government policies, location and the state of local infrastructure cannot be counterbalanced by any type of tax incentives (Cleeve, 2008).

3. In their study, Zee et al. (2002), after reviewing existing empirical literature in both developed and developing on the use of FDI tax policies and incentives and their cost-effectiveness and impact in capital inflows, stress out that even when the implementation of tax incentives to attract FDI can be justified by the economic circumstances in a country, their cost effectiveness and impact on FDI cannot be granted as there are more important conditions that must be met like legal and economic ones.

What empirical evidence has shown about tax incentives is not absolute or clear (Zee et al., 2002). There are many controversial views based on contradictory data and empirical history. Until today we cannot suggest with certainty that they do or do not have a significant impact in the attraction of FDI as there are numerous other variables that have to be taken under consideration in every single case (Zee et al., 2002). Nevertheless, the only truth we can conclude in is that even if a tax incentive is considered quite attractive and appealing for foreign investment, it certainly cannot by itself compensate for a general weak and inefficient investment environment. Only a consistent political environment which positively affects macroeconomic stability and imposes efficient laws and obligations can create investment opportunities and attract foreign capital. This assumption is confirmed by the numbers of empirical studies which show that in developing and transition countries, despite the objectives and substance of the incentives offered, investors are reluctant to invest taking under consideration factors as political instability and stability in the macroeconomic environment (Beyer, 2002). In line with the above assumptions, the Investment Climate Advisory, using marginal effective tax rate (METR) as a measure of effectiveness of tax incentives, ascertained that the "power" a tax incentive has in order to attract FDI depends primarily on the general investment climate of the country. The weaker the investment climate is, the less efficient and effective the incentive.

Tax incentives, when proved efficient for the attraction of FDI, enhance economic activity and development as well as produce positive long-term externalities. First of all, economic productivity creates new job opportunities and helps with a country's levels of unemployment (Clark, 2000). Secondly, usually, when a multinational enterprise establishes in the host country, it operates at a "higher level" concerning gained profits, human resources and technologic level. This means that host country eventually gains higher revenues from the taxation of corporate income, new and well-paying job opportunities and high-tech education (Easson, 2004). What is more, many MNEs operate in Research and Development projects in order to embrace technological innovation. The produced technological innovation is quickly transferred to the local enterprises too and subsequently stipulate their productivity and competitiveness in the market (Klemm, 2010). Not only are the economies of scale improving, but the life quality too as financial prosperity strongly affects other sectors of a country's reality like education, social infrastructures and facilities, personal well-being etc.

On the other hand, FDI tax incentives that are insufficient and inappropriate for their purpose can have quite damaging results for a country. Firstly, they are responsible for the distortion between new-entry enterprises and old ones as they lead to the misallocation of advantages that sometimes are granted to non-sustainable investments which mere fulfill the law' s prerequisites (Klemm and Van Parys, 2012). In addition, the implementation of a special incentive framework for FDI erodes the tax base, creates uncertainty and interferes with the transparency that should characterize every legal instrument (Klemm and Van Parys, 2012). Moreover, while tax incentives mean profits for the investor, they also mean revenue costs for the state. These costs come from the several reductions, allowances and cuts that otherwise would not have been granted and also from the hypothesis that some investments would have been made even without the incentives (Zee et al., 2002). Finally, we cannot omit to mention the common technique of some enterprises to use very generous tax incentive regimes abusively (rent-seeking activities etc.) and then change country or re-operate in a new legal form. Also, as tax incentives are often granted after the examination of the criteria needed by an administrative agency or committee, it has been noticed that incidents of bribery and corruption are very possible to appear (Reiter and Steemsma, 2010). In general, when governments adopt tax incentives which lack efficiency, (either legal, for example ambiguous legal provision, or practical, i.e. bad implementation in practice), all market imperfections are stressed out and eventually FDI declines (Reiter and Steemsma, 2010).

After all the above been said, we conclude that, theoretically, tax incentives for the attraction of FDI are capable of fulfilling their purpose and provide significant positive results to the general framework of a state as extra foreign capital can play the role of an important boost to the macroeconomic development and market growth. However, in practice, after many attempts of different countries (either developed, developing or in transition) to implement this kind of incentives in order to attract FDI, reality has shown that tax incentives are a quite risky measure which when in a legal and social-economic environment with weaknesses and flaws, is responsible for the emerge of serious negative externalities as the distortion of the tax system, resources misallocation, uncertainty and revenue costs (Beyer, 2002). This is why recent literature discourages states to adopt tax incentives and proposes measures as general reform of the tax system, legal transparency and a stable regulatory framework.

The case of Greece

If we make a brief historical recursion about FDI inflows in Greece, we will observe that until 1960, FDI was very limited due to the country' s internal policy (Tsouka, 2017). During that period, the country focused on the recovery and development of its own industries and enterprises after world war 2 as well as the civil war afterwards (Tosounidis, 2016; Tsouka, 2017). It was 1960 when Greece turned its interest to FDI and started implementing some incentives concerning tax or import and export duties (Tosounidis, 2016; Tsouka, 2017). The agreement for the entrance of Greece in EEA in 1961 constituted a nodal point for Greece's opening to foreign investments and capital (Tsouka, 2017). Another benchmark for FDI inflows was the entrance of the country to the Eurozone in 1999, a decision that significantly increased foreign investments due to the free movement of capital as an EU member, the reduction of the insecurities regarding the fluctuations of the foreign exchange rate and also the host of the Olympic Games which attracted foreign investors (Kolotouras, 2014). Today, a few years after the global financial crisis in 2009 which massively changed the economic situation and the FDI allocation both in the country but also at an international level, Greece tries to recover financially and evolve, gaining its seat among the other developed countries in the international financial competition (Lenakou, 2014). Therefore, its present policy focuses on the attraction of investment capital, both domestic and foreign which is believed to positively influence, directly and indirectly economic and social growth (Konstantinidis and Vlachou, 2018). Tax incentives, promotional institutions and governmental grants are some of the instruments the Greek State uses to accomplish its targets (Tsouka, 2017). Unfortunately, if we conduct a brief analysis of the legal framework, we can observe the fragmentation of the Law, meaning the existence of multiple legal regimes concerning investments and the difficulty for someone to detect what the real incentives are and under what conditions they are granted. In fact, the problem of complicated and fragmented legal framework in Greece is chronic and more general. This phenomenon is reflected to a recent survey conducted by the European Investment Bank (EIB, 2017), which highlights business regulations and taxation as well as uncertainty about the future to the most deterrent factors for corporate investment in Greece (OECD working paper for Greece, 2018). Moreover, according to the Global Competitiveness Report 2017-

2018 (Schwab, 2018), tax regulations and high tax rates are some of the main obstacles for doing business. Now, regarding the incentives Tax Law provides for FDI, there is not a relative regime directed only to foreign investments using the foreign element as a prerequisite (Mantokoudi, 2017). However, for many legal regimes, attracting FDI constitutes one of their main targets, noted to their preamble and there are numerous provisions that even though they do not use the foreign element as a prerequisite, they are indirectly targeting to FDI (Mantokoudi, 2017; Tosounidis, 2016). This is why, it is noted that it is legitimate to look for the incentives, fiscal or not that Greece provides for strategic investments, a distinct category of investments that are expected to bring big positive results to the economy and that imprint an effort on behalf of the country to attract FDI (Gemenetzi et al., 2018).

According to the Greek Law, in order for an investment to be characterized as strategic, it has to meet a few specific quantitative and qualitative criteria and generate the expected (according to the Law) results (Gemenetzi et al., 2018). The reason behind strategic investments' special treatment is the strong belief that they are able to play the main role in the awakening of Greek economy and general development of the state. It is obvious that under the domestic circumstances Greece, just like most of countries that have experienced an economic crisis so deeply in their core, is primarily seeking the capital required from abroad, especially foreign direct investment that makes tangible impact in the inside of the country (Konstantinidis and Vlachou, 2018; Kottaridi and Giakoulas, 2013). This is why the measures and incentives, even their prerequisites could be considered indirectly directed to foreign investors, leaving domestic ones side-lined (Kottaridi and Giakoulas, 2013). Thus, this is a wide accepted accusation Greek government has faced through the years after the financial crisis.

The last published Law regarding Strategic Investments is Law 4608/2019 with its amendment Law 4635/2019. Nevertheless, before continuing with our analysis it has to be mentioned that once again political changes and the new Greek government are about to change the present regime regarding foreign investments in their effort to make Greece traction pole for FDI.

The strategic investments incentives regime in Greece:

The Greek State, since 2010, a few years after its exit from a strict fiscal control, has tried to update its international status by giving priority to the creation of a truly appealing destination for domestic and foreign investments (Konstantinidis and Vlachou, 2018). Following this direction, it is considered necessary for investments with significant qualitative and quantitative standards to play their role in all financial sectors in order to boost the country's developing dynamic (Barkas and Pisu, 2018). After nine years since the first law concerning strategic investments (Law 3894/2010), the new legal regime is an effort for the modernization and the adjustment in the new post crisis era (Kottaridi and Giakoulas, 2013). Alongside, it provides a large scale of advantages and incentives for investors in order to attract them and in long term get benefited by them (Konstantinidous and Vlachou, 2018).

To begin, one of the new and significant advantages is the fast track procedure that is provided to strategic investments (Gemenetzi et al., 2018). It gives the advantage of a speed process in the publication of licenses and other special administration documents investments need to start operating. More specifically, according to the fast track law, all the required licenses a new investment has to obtain in order to start operating have to be published by the appropriate authorities in the binding time period of 45 days (Palla, 2011). If the public authorities do not comply with the legal deadline, sanctions will follow (Palla, 2011). The Fast Track procedure seeks to create a safety zone for strategic investors as a speed up tool, promoting transparency through fast and clear processes (Gardiakou, 2018; Palla, 2011). Exclusive and binding deadlines in combination with the avoidance of unnecessary bureaucracy are expected to facilitate the establishment and operation of newly founded enterprises (Papadopoulos, 2017; Gardiakou, 2018). The incentive has been given to strategic investments as it is considered of great importance the licensing prioritization of investments that are about to play a central role in the national economy (Gardiakou, 2018).

Enterprise Greece, an official agency of the Greek State that operates as one stop shop for the aforementioned Fast Track procedure. This means that the strategic investors address to the organization in order for it to proceed to the required steps for the publication of all the necessary licenses (Enterprise Greece Official Website, 2020). Moreover, Enterprise Greece promotes investments and contributes to the outward looking orientation of the Greek economy (Enterprise Greece Official Website, 2020). The promotion of Greece as an investment destination abroad is being achieved by the organization of various events and missions in collaboration, usually, with Greek embassies all over the world and always with governmental support (Enterprise Greece Official Website, 2020). Enterprise Greece is responsible to communicate to the potential investors all the necessary and basic information about the investment opportunities Greece provides, the current legal, administrative and tax framework and every other key information concerning their investment business plan (Enterprise Greece Official Website, 2020).

The Law for Strategic Investments also adopts tax incentives that put strategic investors in a more favourable position than the ones who do not fall under the Law. It is obvious that the implementation of these incentives is an effort to repair the previous problematic sector of tax regime which constituted a serious obstacle for investors through the years (Gemenetzi et al., 2018). The tax incentives provided are:

Stable tax rate incentive: This incentive is one of the most frequently used incentives for investments in Greece and it serves the same purpose with the stabilization clause in international treaties (Gardiakou, 2018). The law ensures the stabilization of the tax rate at the value it has on the time of the application of the investment in the strategic investments framework for a 12 year period of time (Nomos Official Website, 2020; Gemenetzi et al., 2018).

Another tax incentive this law provides is tax holiday for the corporate income tax for the maximum period of 15 years, allowing investments to faster overcome their initial capital losses (Axioti, 2018). Moreover, the law provides the incentive of accelerated depreciation which focuses on a similar/identical outcome as well (Nomos Official Website, 2020; Gemenetzi et al., 2018). Namely, the incentive itself allows the investor to show a 100% higher depreciation so as to have tax benefits according to the income tax law (Nomos Official Website, 2020; Gemenetzi et al., 2018). The eligible costs concerning the above incentives are determined by the terms and conditions EU Law provides (Nomos Official Website, 2020; Gemenetzi et al., 2018).

In addition to fiscal incentives, Greece has enacted financial incentives with the form of governmental subsidies (Mantokoudi, 2017). More specifically, state aid is provided in two cases. The first is about covering or partially covering the cost for the recruitment of special categories employees (i.e. employees with disabilities or chronic conditions), while the second case has to do with subsidies concerning research and development projects (Gardiakou, 2018; Mantokoudi, 2017). The sum of the grants can be considerably high and according to the current Law they can also have the form of a lump sum, creating a very attractive prospective for potential strategic investors while, simultaneously, encouraging them to focus on acts and sectors the Greek state wants/needs (Papadopoulos, 2017).

In addition to the special incentives for Strategic Investments as legal entities, the Law grants for special measures for the executives as well. Regarding the executives of an investment, in case of having their tax residence abroad, they are favoured by the preferential treatment the Law provides concerning their taxation in Greece for as long as their business relationship with the strategic investment exists (Gemenetzi et al., 2018). Practically, it is considered that they maintain their foreign tax residence and they are taxed only for the income coming from their business in Greece. What is more, the above incentive is given also to the executive's spouse or partner and to its children. Moreover, the Law is more lenient regarding of residents of third countries that desire to invest in a strategic project, allowing up to 3 investors to come and stay in the country and extra 10 persons in order to assist in the establishment and operation of the investment (Nomos Official Website, 2020). In addition, the Law specifically orders that every dispute arising between the strategic investor and the State is going to be resolved with arbitration procedures under UNCITRAL arbitration rules. Ending the reference of the incentives, we could not omit the special expropriation provisions under which expropriation is allowed for the operation of strategic investments, always after administration's justified decision and full compensation (Nomos Official Website, 2020; Gemenetzi et al., 2018).

One of the innovations of the Law of 2019 is the obligation between the State and the investor to sign a partnership memorandum which is going to cite their legal commitments and terms which have to be followed on both sides. These terms usually include the completion of the investment along with its terms and especially the timelines of the licensing procedure, the project itself, the grant of compensation, the responsibilities of each party, the financial structure and the proof of financial ability for the completion of the investment (Nomos Official Website, 2020). To continue, for the first time, according to the Greek Law, there are special legal instruments for the supervision of the investment's implementation in order to avoid unnecessary delays and divergences from the original plan. In addition to the supervision and if the strategic investor does not proceed with its investment according to its obligation, the law imposes serious sanctions like the declassification of the investment as strategic, heavy fines and retrospective cancelation of the tax incentives (Nomos Official Website, 2020; Gemenetzi et al., 2018).

After the examination of all the above incentives it may be concluded that Greece gives all the motives needed in order for a foreign investor to initiate a project in the country (Gardiakou, 2018). It is a regime that offers incentives of serious importance but also imposes control mechanisms, sanctions and arbitration in case of disputes. Despite that, the truth is that none of the investment incentives written in the Law is capable of bringing the desirable results unless it is effective in practice (Natsi, 2015). This is why the effectiveness of the incentives should be examined by its legal perspective (Palla, 2011). Is the incentive applied in practice? Are the investors well informed? Are the necessary procedures simple and fast in order to get benefited? Although the quantity and the quality of the incentives seem ideal, why is Greece one of the EU countries with the lowest numbers of FDI? Are these measures enough and appropriate? Are they effective? Below, we are going to examine the effectiveness of the legal regime concerning Strategic investments, under the legal perspective of the term.

Criticism on the effectiveness of the old regime

The first legal regime concerning strategic investments was presented in 2010. Until now, only 15 of these investments have managed to enter into the fast track procedure after being characterized Strategic but after that, none of them has been implemented (Natsi, 2015). This phenomenon represents the weakness of the system to control and accelerate the operation of the business plan, providing the licenses required following the fast track procedure but then letting the investor slow down or even stop its project. Thus, we cannot claim effectiveness in practice as the reality shows the opposite. What is more, since the strategic investments have not been completed, the other incentives, fiscal or not, cannot be examined since they have not been provided yet (Gardiakou, 2018).

A distinct example of the flaws of the strategic investments policies through the years is the “Ellounda Hills” project, a luxury integrated resort development project in Crete by the international company Mirum Group (Enterprise Greece Official Website, 2020; Mirum Group Official Website, 2020). The Ellounda Hills project managed to be characterized as strategic in 2016 and entered in the fast track procedure but until today, due to the bureaucracy the constructions have not begun (Enterprise Greece Official Website, 2020; Mirum Group Official Website, 2020). All the other 14 projects are in similar stages. The defaults of the old system to attract both foreign and domestic direct investments are visible in the 2018 OECD economic survey. According to the report, regarding the real investment, there is a drop by 60% since its pre-crisis peak and ranks Greece to the 112th position among 137 countries as regards FDI inwards (Lenakou, 2014). Moreover, the report indicates the need for more changes and improvements to the financial and investment climate and takes under positive consideration the new law of 2019 for strategic investment (Lenakou, 2014; Schwab, 2018). What is more, according to the Global Competitiveness Report 2016 - 2017 of World Economic Forum, the country is in the 86th position among 138 countries (Schwab, 2018). All the above constitute strong indicators about the constant changes the Greek economy and financial policy has to proceed to. The law of strategic investments is a good start but there are much more to be done in order for the country to be transformed into an attractive place for FDIs. Greece has been judged many times for its unstable legal regime, bureaucracy, restrictive product market regulation, corruption etc (Papadopoulos, 2017; Reiter and Steemsma, 2010; Axioti, 2018). The new law is capable, always under the assumption that it is followed as expected, to cure some of the country’s frauds and create a steady infrastructure that will help to attract and establish new investments (Paneta, 2019). It is important to gain foreign investors’ trust and form a fertile environment for new investments (Palla, 2011). On the other hand, we must not ignore that according to the literature and empirical studies, no investment law is capable of bring economic development on its own. There also must be prosperity and stability in the host country, things that Greece has failed to demonstrate so far (Mantokoudi, 2017). This means that Greece should also focus in reducing political distress which will give motives to both domestic and foreign investors (Mantokoudi, 2017). In December 2019, the government announced the approval of 6 Strategic investments for a total of 1.05 billion Euro that are about to take place in the country, mostly in the fields of tourism and renewable energy sources (Paneta, 2019). However, unless these investments come to life, it's very difficult to claim legal effectiveness and success of the system.

FDI, as mentioned before, is an ambiguous topic that has drawn the attention of scholars and politicians. The most popular opinion is that FDI is necessary for the economic development in the era of globalization, and the increase of the competition among firms which will benefit the consumer and the countries involved (Levitt, 1993). However, we must take into consideration the negative impact that FDI can have, especially when there is special treatment (incentives) by the government. Is the host country ready to accept new foreign investors without negatively impacting the domestic investors? Greek investors have passed one of the biggest economic crises are slowly recovering and ask from their government support in order to become competitive again (Axioti, 2018). On the other hand, the government is convinced that FDI is a very efficient and effective way for the country's economy to recover (Axioti, 2018). Furthermore, there are cases where governments are willing to sacrifice the country's natural environment and resources in order to attract strategic FDI. Gold and coal mining as well as big hotels are some examples of the aforementioned cases. Under such circumstances, it is debatable on whether the FDI contributed in a better economy or a lower quality of life. Lastly, we must not forget that Greece is one of the countries with the highest tax rates and, simultaneously the most unsteady political and regulatory environment (Axioti, 2018).

Discussion and Conclusion

In this paper, we attempted to give answers to some questions regarding tax incentives as means for the attraction of foreign direct investment (FDI) and then made a short reference about and comparison with the reality in Greece concerning direct investment and more specifically strategic direct investment.

To begin, the new economic era, with the emerge of global markets and transnational trade, has formed a new reality where private financial sector and relevant institutions are now the main drivers for the formation of politics and the creation of new economic principles, rules and customs. The development and expansion of multinational companies has resulted in powers and influence like never before in the history. Therefore, it is broadly accepted that the increase of FDI in an economy can be proved beneficial for the country. On the other hand, as we examined above, today, this opinion has several valid arguments. The collapse of local enterprises and the uneven competition terms, as well as the possible infringement of labor rights are some of the possible negative effects from the inflow of FDI. Based on our analysis, we conclude that the strong presence of foreign direct investment in a country is able to contribute to its financial and broad development. The inflow of extra foreign capital and the boost of the local business sectors can significantly promote better economic conditions and welfare in the country. On the other hand, we remain skeptical about the increased FDI levels when in weak economies. In this case, it is of keen importance for the government and policymakers to have a clear and well-informed perception of the financial conditions and investment climate of the country. What is more, politicians should have as main concern the general prosperity of the country and not their financial and other kind of personal interests. Otherwise, unnecessary FDI will be proved harmful and result in all the negative externalities mentioned above.

Modern countries, as well as developed and developing, influenced by the widely accepted thought that foreign direct investment (usually in the form of MNCs) leads to financial growth, choose their course of action and compete each other in an international level for the attraction of FDI. While the determinants and conditions a foreign investor desires are not predetermined, governments choose to use standard means for their aims as the signing of international investment agreements (IIAs) and the implementation of fiscal, financial and other types of incentives (Blonigen, 2005). Among all of them, fiscal (tax) incentives are the ones that we dealt with as nowadays they constitute a typical method for the increase of FDI and a tool for international tax competition. International governmental practice has formed some “typical” tax incentives like tax holidays and accelerated depreciations, means that are also familiar to the Greek legal framework. The examination of FDI of tax incentives leads us to the following conclusions:

1. Regarding the implementation of special FDI tax incentives; the country’s administration has the obligation to ensure for the right and lawful application of the means. More specifically, the incentive must be provided only to the qualified - according - to - the law investors and under the specific terms and conditions mentioned to the law. In our opinion, this is a very challenging task for many reasons. First of all, special mechanisms and procedures have to be established for the incentives’ application and supervision which will at first operate in an experimental way causing financial and political costs for the country. Secondly, in host countries where there are incidences of corruption and non-transparency, the prospective foreign investors will be negatively biased and will not trust an administration characterized as unsound and corrupted (Reiter and Steemsma, 2010). Moreover, in fragile and unstable legal frameworks, the implementation of one or more special legal regimes by administration will likely cause more uncertainty and mistrust towards administration’s decisions and acts.

2. Regarding the impact FDI tax incentives have to foreign direct investment’s inflows; according to the literature review, the assumption that tax incentives by definition increase FDI levels, cannot be verified. We referred to different empirical studies and findings which make us support the opinion that special FDI tax incentives do not necessary correlate with increased foreign direct investment. We support that the provision of special tax incentives to foreign investors by the host country may boost their interest about expanding or establishing for the first time their investment into its territory. However, the same result can also be generated by the provision of other kind of incentives such as special governmental grants or the provision of faster and simpler administrative procedures. This is why empirical studies can only indicate the

correlation between FDI and tax incentives. The most important determinants for foreign investors are the political and economic stability of the country, always in combination with investment's special operations and plans (Blonigen, 2005). Good investment climate, fair and stable laws as well as sound financial management are the factors foreign investors mostly look for. In contrast, when the host country lacks these determinants, none of the tax incentives it may provide can counterbalance its basic weaknesses. When a country's aim is to attract more FDI, it is highly recommended to start by giving priority to its core institutions and services first. Enactment of lawful and straightforward legal provisions, easier and faster administrative procedures, special care for the general tax regime with amendments and ameliorations are considered more appropriate and effective means. What is more, infrastructure improvements and general business stimulation through projects, financial support and training can create a very fruitful and beneficial investment and a financial environment where any investor would desire to operate.

3. Regarding the enactment of special FDI incentives and their impact on a country's economic growth and general welfare; as mentioned above, under the ideal circumstances, in a country characterized by its strong economy and its financial, social and environmental levels, FDI tax incentives can have positive implications. Under the optimal economic conditions, the concept of special incentives for each category of investment, (domestic or foreign) seems highly efficient. However, perfect economies do not exist neither do perfect markets with perfect legal systems. For start, countries' tax regimes are not flawless. Usually they cause imbalances and confusion to taxpayers. Thus, the implementation of additional special tax incentives to foreign investors is likely to contribute to the enlargement of problems such as legal instability and uncertainty. What is more, special tax incentives to foreign investors will create a significantly more favorable status quo, downgrading local investors and their businesses. In general, after having analyzed multiple possible dangers and risks regarding the adaption of FDI tax incentives, our opinion is that they should be avoided by the governments. This is because their scope and significance are too important to be ignored. One of our main concerns among others is the possibility that governments, especially the ones with capital shortage, in their efforts to attract

foreign investment, many times exaggerate with the incentives. The too-friendly, too-open to FDI climates often cause collateral damages. These damages are related to country's revenue costs, domestic businesses' losses etc. But most importantly, the policy of constant imposition of tax incentives leaves no room for the amelioration and reconstruction of the tax system at its core, ignoring and multiplying current legal problems and imbalances. A healthy and stable tax system is a main prerequisite for the economic development and welfare, as well as for the attraction and maintenance of foreign direct investment, as we noted above to this study. So, countries should focus on the general revision of their tax system and financial policies and reconstruct a healthier economy with essential advantages for investors, both local and foreign.

Concerning the part of our study referring to Greece we can safely say that the Greek economy never was one of the most powerful economies globally or even in EU. The country has a weak the investment sector, both local and foreign. One the other hand, we talk about a country that has very recently experienced a big economic crisis and still presents elements of development (Kottaridi and Giakoulas, 2013). In our opinion, Greek policies should turn into investments in order for financial positive results to come. First of all, since the local investment sector in its majority consists of small and medium size businesses, which are the backbone of the Greek economy, governmental aid should be given to them. Policymakers should not forget to encourage the small local investors in their effort to attract foreign and in most cases considerably bigger investors. The law should primarily encourage domestic entrepreneurship (especially in sectors where Greece has an advantage, as tourism and agriculture) and strengthen new established operations. In this way, the financial development will begin to accelerate, and its first signs will start to show by the raise of new investments and the increase of taxable profits. Moreover, Greece through regulations, amendments and restructure must create a friendly investment climate for FDI too. As we saw earlier in this paper, the FDI's positive results do not appear in the same way and with the same intensity to every national economy. However, the inflow of foreign investment is capable to boost economy and financial competition as well as general welfare under certain circumstances. The law for strategic investments reveals the efforts of the country to attract them but, in practice, the results are less than mediocre. We strongly believe that there cannot be any special development law that is capable of bringing all the desired results by itself. The strategic policy for the attraction of FDI can be a long standing and time-consuming process. In order for Greece to invert its former non appealing investment climate to an attractive one, it requires constant attention and refining. Undoubtedly, the main concerns of the country should be the macroeconomic stability of Greek economy as well as the legal and political stability. Then, Greece will have all the resources needed for the creation of a comprehensive national strategic plan, targeted to FDI but also to the designation of a whole new investment policy that will eliminate problems, enrichened entrepreneurship levels, and promote the investment opportunities to foreign investment world. Finally, as regards to the taxation, if Greece desires to boost investments, the government should decrease the tax rates in general and ensure the stability of the applied law. However, this does not mean that it should not take under consideration the special features and needs that a category of investments may have. New and old investments, foreign and local, in order to develop their operations should have the certainty and security of a stable tax system which promotes competitiveness and efficiency.

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